

Metropolitan King County Council

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MANAGEMENT LETTER

DATE: March 25, 2004

TO: Metropolitan King County Councilmembers

FROM: Cheryle A. Broom, County Auditor

SUBJECT: I-Net Performance Measurement Follow-up Review

This follow-up review recommends that future quarterly reports on I-Net include primarily a limited number of key financial performance measures. However, the report for the fourth quarter of each year should include additional measures, many of which are now reported quarterly. We also recommend that customer survey results be reported every two years, and that a number of other measures be eliminated.

Per provisos in the King County 2003 and 2004 Adopted Budgets, the Information & Telecommunications Services Division (ITS) of the Department of Executive Services has prepared quarterly reports to the council on I-Net performance measures. The report uses those measures and formats developed in 2002 by a task force of I-Net stakeholders, convened by the auditor's office and its consultant, Pacific Technologies Inc.

The 2004 proviso further stipulates that:

I-Net performance measurement reports shall incorporate all comments and recommendations made by the county auditor in her I-Net performance measurement follow-up review.

These reports and the several performance measures were intended to give the council some idea of how well I-Net was performing and meeting its overall goals. These reports follow the recommendation of the consulting group, Gartner, that recommended monitoring I-Net performance to assist the county in determining whether to continue operating I-Net.

The original set of measures prepared by the task force numbered over 40, most of which were meant for reporting on a quarterly basis. I-Net has collected data on most of those measures and reported them quarterly.

Based on our review of past reports since 2002, we have concluded that only 11 measures (mostly financial ones) need to be reported quarterly. The balance of the measures can be reported annually, and some can be eliminated from future reports.

Approach to Performance Measurement

The auditor's office advocates that performance measures be useful and relevant both to policy and decision makers as well as to the people who operate the program being measured. Also, measures are best understood when viewed in the context of overall strategic plans which spell out agency or program vision, mission, policies, goals, and performance objectives.

In evaluating the I-Net measures, we have sought to assess which of the measures originally developed and those suggested as replacements provide the best understanding of how well I-Net is achieving its overall purpose. Also, we have reflected on how often some data need to be reported. The task force which originally developed the measures understood that some would undergo change over time, and that some data collected on a quarterly basis may prove more useful when reported annually. Measures that no longer seem particularly relevant to understanding I-Net performance should be discontinued. These refinements are consistent with the scope of the task force, i.e., to develop a limited set of performance measures that will inform the council on the progress and performance of I-Net in meeting its objectives.

Overview of I-Net Measures

As originally developed by the task force in 2002, I-Net performance measures covered the following categories:

- Summary (Dashboard indicators)
- Financial
- Technical
- Customer Satisfaction
- Customer Survey
- Market Performance

In addition to about 20 core measures, approximately 25 more measures were reported in appendices. Also, I-Net has suggested some alternative measures as better expressions of program performance.

I-Net posts its quarterly reports on the internet (<http://www.metrokc.gov/dias/its/i-net/>). I-Net customers can also view performance information specific to their own contract through a secure login process.

Review of Individual Measures

Since the quarterly reports of performance measures began, the auditor's office has engaged ITS (I-Net) personnel and council staff in discussions about the usefulness and quality of the performance measures.

Ultimately, these discussions led to reviewing which measures I-Net should continue to report (or not), and how often they should report them. Our recommendations for each category of measures is shown in the following table and discussed in the subsequent narrative.

Reporting and Disposition of I-Net Performance Measures				
Type	Report		Other	Discontinue
	Quarterly	Annually		
Dashboard	3			
Financial	6	7		5
Technical		4		8
Customer Satisfaction		8		
Customer Survey			2-Biennial	
Market Performance	2	3		
Total	11	22	2	13

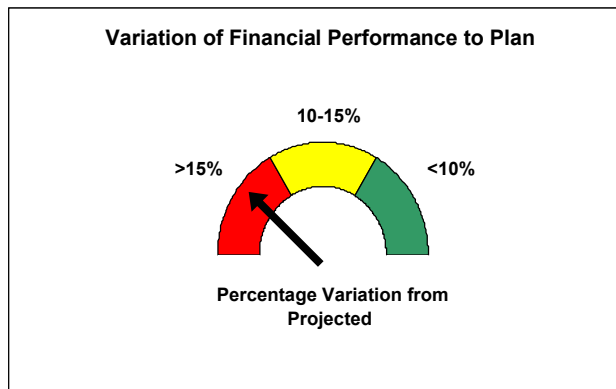
Dashboard

There are three dashboard “meters” that are summary rollups of I-Net measures in three areas: financial performance, technical performance, and market performance. They are meant to provide an overall snapshot of performance in those three areas. An example of the financial performance dashboard for the fourth quarter of 2003 is shown below.

FINANCIAL PERFORMANCE TO PLAN

This dashboard summarizes I-Net’s financial performance for 2003 by aggregating variance between actual revenue and projected earned revenue and actual versus projected operating costs. Details which are shown in other metrics throughout this report include equipment replacement reserves, and equipment purchase/replacement expenditures. The “Financial Performance” section presents these metrics. This dashboard does not net out differences between revenues and expenditures. Only gross variance is reported.

Source: Fourth Quarter 2003, I-Net Performance Measurement Report, January 2004



We suggest keeping these summary indicators in all future I-Net performance reports.

Financial

These measures show how actual I-Net financial performance compares to planned or forecasted performance. Because council interest in I-Net seems to relate primarily to the financial performance of the program, we recommend retaining almost all of those measures. However, since the data on many of the financial measures are more relevant when expressed on an annual basis, we believe that many can be reported at year end. Measures originally developed to measure savings that I-Net achieves have not been meaningful. Data for those charts intended as reporting models are not available and have not been collected.

Technical

Technical measures show how I-Net has performed to stated expectations in service level agreements with customers. They also track network reliability, availability, and utilization. These measures have varied little over several quarters, and annual rather than quarterly reporting on them is appropriate.

Customer Satisfaction and Customer Surveys

Customer satisfaction measures are important, but it is unnecessary to collect information quarterly, as they rarely show change from one quarter to the next. Overall performance per service level agreements can be summarized annually.

Customer satisfaction surveys are not needed every year, and when attempted more frequently can become a nuisance to the customer. No new surveys have been conducted since 2002. Surveys could be conducted every other year or every three years, and the results reported in the year-end fourth quarter report. I-Net management indicated to us that they are also looking into a web-based survey format.

Market Performance

These metrics monitor how well I-Net is meeting its goals in terms of numbers of customers, new customers, and other aspects of its marketing plan. While a few indicators (such as the overall performance compared to marketing plan targets) should continue to be reported quarterly, other measures can be summarized annually.

Other Comments

The quarterly reports and the recommended performance measures were intended to give the council periodic reports on the performance of the program and its continued viability.

The auditor's office has made suggestions to ITS on how to improve the content of the reports prepared for the council. They include providing more perspective, in narrative

form, on how I-Net overall is achieving its financial, operational, and performance goals. It would be helpful, too, if I-Net discussed the long-term consequences of extending the schedule for equipment replacement, as well as accrual of accumulated revenue in a fund earmarked for equipment replacement.

For example, in the latest report for Q4 2003, I-Net reports that it is making very good progress and operating without a loss by reducing and containing expenditures. It also notes that by the end of 2003, I-Net accumulated equipment replacement reserves of \$152,883, which is \$31,827 more than projected. This revenue was apparently generated from excess income over expenses.

I-Net's cost control efforts and build-up of reserves are laudable. We think they are deserving of some discussion in the executive summary of quarterly reports, and in the context of the overall financial goals of the system.

Because of the continued interest in I-Net's financial well-being, ITS should continue to report its fiscal achievements and find new ways to express them in a concise manner.

ITS/I-Net personnel concur with these suggestions.

CB:RP:yr

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